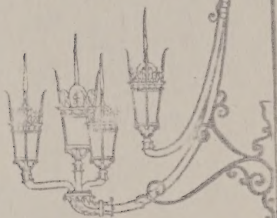


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International Trade and Foreign Investment in Massachusetts

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International Trade and Foreign Investment in Massachusetts

A. International Trade

International trade is a vital and growing part of the economy of Boston and Massachusetts. According to the Massachusetts International Trade Council, Massachusetts holds a leadership position among the 50 states in terms of both employment and dollar value of exports.¹ The Council reported that with over \$7.6 billion worth of manufactured products exported in 1988, Massachusetts ranked 9th out of the 50 states in dollar amounts exported. In 1989 the export figure reached \$8.6 billion as Massachusetts manufacturers exported 7% of their output.

In dollar value of manufacturing exports the Boston metropolitan area ranked 7th among the nation's metropolitan areas in 1986. See Chart 1. U.S. Department of Commerce figures for 1986 show that Massachusetts ranked 2nd out of the 50 states in export-related employment with a total of 160,900 jobs related to manufactured exports. The Boston metropolitan area ranked 6th among the nation's metropolitan areas in terms of jobs related to manufacturing exports in 1986. See Chart 2. The leading exports from Massachusetts include non-electrical machinery, scientific measuring and controlling instruments, photo and optical goods, watches and clocks, electric and electronic machinery, transportation equipment, chemicals and allied products. See Chart 3.

The major destinations for Massachusetts' top five manufactured exports include Japan, the United Kingdom, Canada, Germany, and the Netherlands. See Chart 4.

Chart 1.

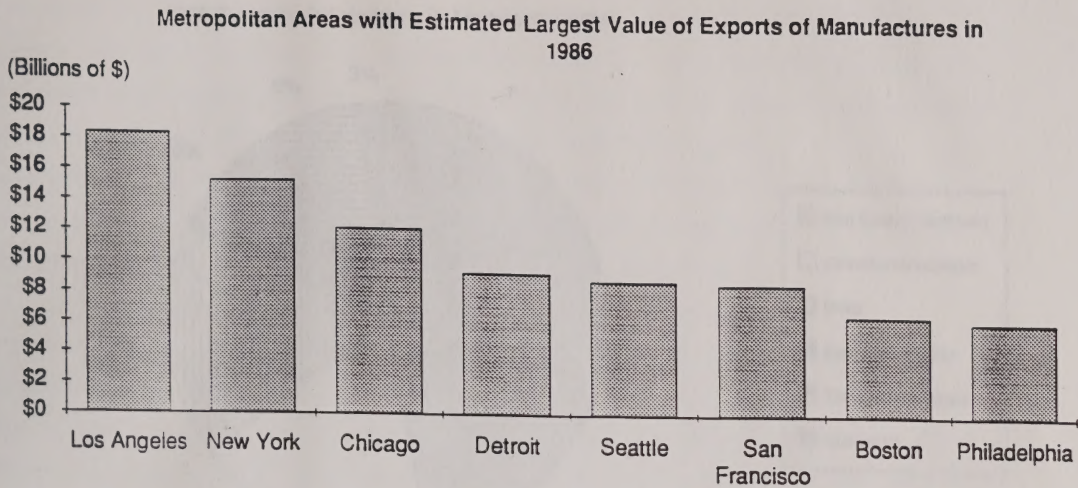


Chart 2.

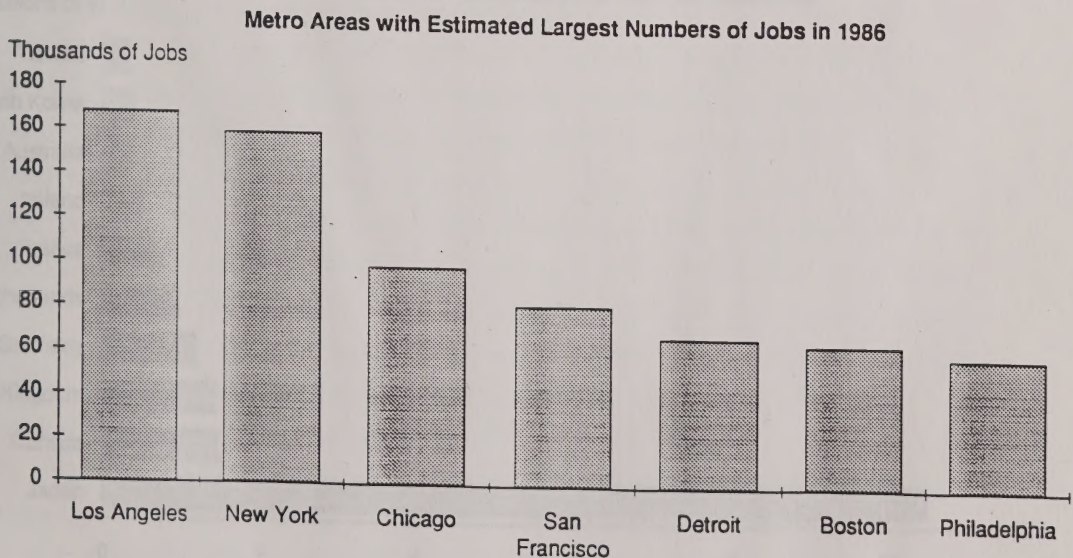


Chart 3.

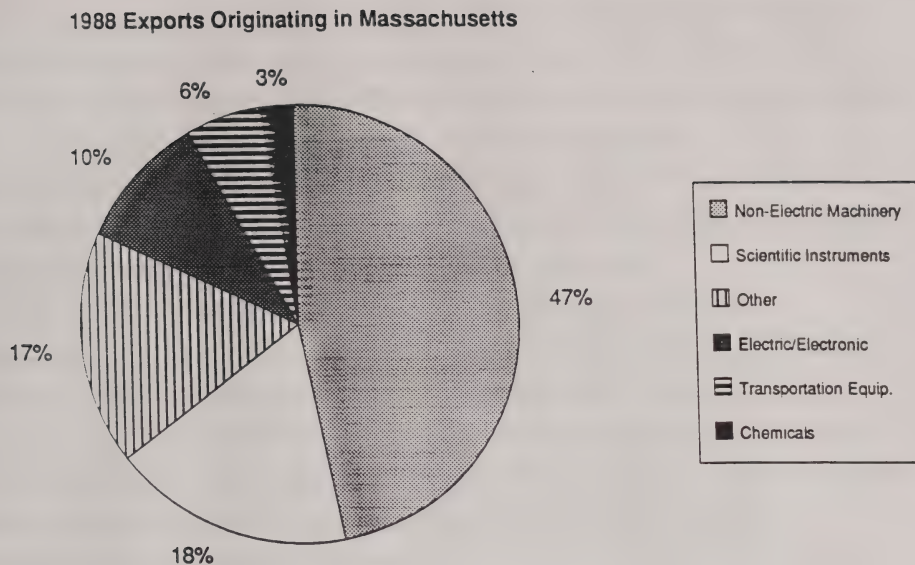
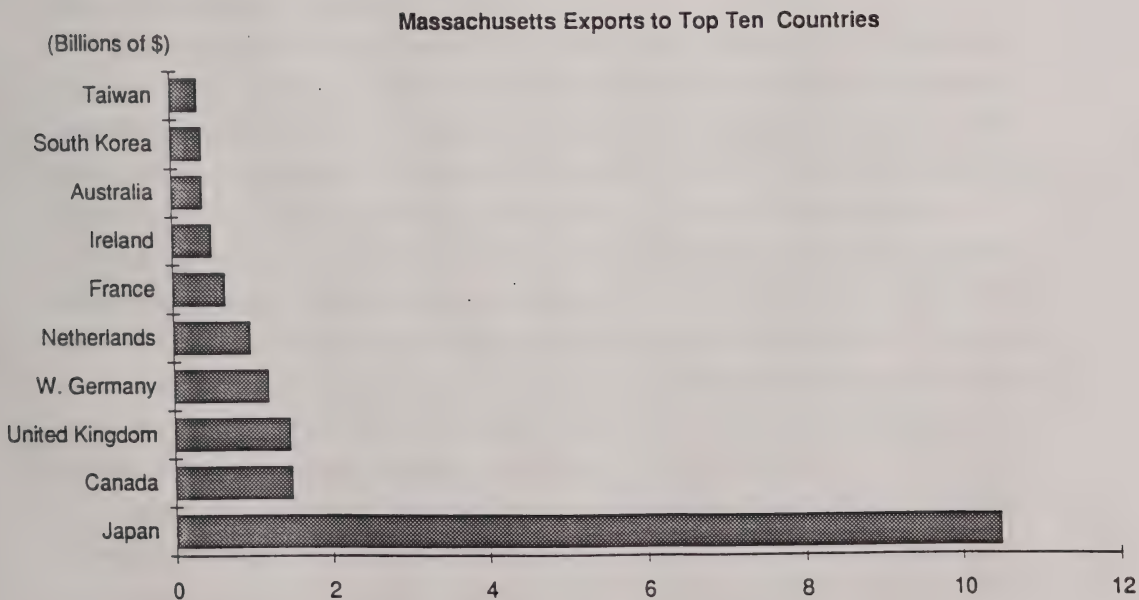


Chart 4.



Massachusetts' Efforts to Expand Exports

Since its establishment in 1984, the Massachusetts International Trade Council (MITC) has served the state's small business community.² MITC, a branch of state government, offers a wide variety of services to small businesses which are considering initiating or expanding their international markets. In 1989 MITC focused on three broad product sectors: Information Technologies (including software, telecommunications, and computers/peripherals), Medical (including biotechnology, medical devices, and scientific laboratory instruments), and Instrumentation (including measuring/controlling equipment, testing instruments, and environmental/pollution control equipment).

The Massachusetts International Trade Council has also been helping the Massachusetts exporting community in marketing a program that provides guarantees for working capital loans to eligible companies.³ This program, called "Massachusetts Export Partnership," is part of a pilot initiative sponsored by the Export-Import Bank of the United States and administered by the Massachusetts Industrial Finance Agency. It offers guarantees of up to 90% of principal for working capital loans to exporters for marketing, manufacturing, and purchasing of raw materials.

Future Prospects for Massachusetts Exports

The efforts of the Massachusetts International Trade Council and the possibilities of greater access to the European Community after the lowering of internal trade barriers in 1992 offer promise of continued success for the Boston and Massachusetts economy. The Massachusetts International Trade Council's "Export 90's" Initiative goal is for Massachusetts exports to reach the level of \$15 billion worth by 1993. Since the 12 countries of the European Community are moving to eliminate long-standing barriers that have restricted trade between them, a unified Europe is envisioned as a wide-open market place in which goods, services and people will be able to move rapidly and freely among them. In this, the world's largest single market of 320 million people and 4 trillion dollars of purchasing power, goods can be sold without having to conform to a different set of product standards, technical regulations or legal requirements for each of the 12 countries.

Export possibilities for Massachusetts manufacturers are thus increased. Also, those Massachusetts firms that invest and settle in the Community will have all of the lower production and marketing costs and increased trade benefits available to enterprises in the 12

countries. A number of leading Massachusetts manufacturing firms are in Europe at present and many other large companies are currently planning to operate there. The recent U.S.-Canadian trade agreement and the potential U.S.-Mexican and U.S.-Latin American country agreements offer additional possibilities for the expansion of Massachusetts exports of both goods and services. Data Resources Inc. has projected that Massachusetts' share of U.S. Exports will be between 8.3 and 11.6 percent for the period 1989-1992.

In recent years, developments in the technologies of communications and in the international transfers of capital have stiffened the international competition faced by Boston metro-area services providers. Local experience, talent and ingenuity, however, have a history of overcoming adverse business climate and conditions.

Growth in employment in Boston's services enterprises has been rapid, 122,000 jobs during 1976-1988, and accounting for 56 percent of all employees in the City in the latter year. A portion of the services are "sold" to foreigners and are non-commodity exports. These include finance (banking, brokerage, money management), and other business and professional services, health, higher education and hotel services. About one-third of the market for the services provided by the City originates outside its metropolitan region, about 10 percent of that is "sold" to foreigners.

B. Foreign Investment

Foreign investment in Boston and Massachusetts has been a significant factor in the growth of the region especially since 1960. Foreign investors have been attracted by the broad diversity of Bay State's talent, professional and business services medical and research expertise, manufacturing, real estate and our thriving consumer markets. Foreign investment in Massachusetts has helped to strengthen and diversify the state's economic base. Foreign investment in Boston alone is relatively large. A 1987 Coldwell Banker study, Summary of International Investment, noted that 10 internationally-owned Boston properties, valued at \$1 billion made up 10 percent of Boston's office space. Of the 10 American cities with the largest dollar value of foreign investment in downtown office space, Boston ranked 7th, containing five percent of the \$20 billion of such foreign-owned holdings in the United States. A 1989 study of "Boston in the World Economy" by Alexander Ganz and Francois Konga, reported that there were 225 foreign companies in the Boston area, giving the region a diverse international flavor.⁴ The leading investor nations are Great Britain, Japan, Canada, and Germany. Following are brief descriptions of the investments by these nations.

Great Britain

Probably the most prominent investors in the New England region are the British. The United Kingdom's concerns in the New England range from real estate to manufacturing, banking, advertising and retail food stuffs. Currently there are at least 150 fully owned British companies that operate in the Boston area. The appeal of Boston to British investors stems from cultural links between the two countries, similar weather, common language, architectural style and even identical city names. Boston is also the closest in proximity to British soil, making this port the first stop in accessing the United States.⁵

Some U.K. companies in the Boston area include: Logica Inc., a computer software firm, with over 550 employees in Wellesley Hills and Waltham; Shaws Supermarkets Inc., which is owned by Sainsbury PLC of London and employs over 10,000 persons in New England. Niche opportunities in the New England economies have also been tapped by the British. Granada Hospital Group PLC has 1,300 employees serving the hospital industry with TV monitor rentals. Centros Real Estate Inc. of Boston sells commercial real estate as does Norman Rourke Inc. which provides for the UK investor. Addison-Wesley and Cahners are British owned publishing companies, as is the recently acquired Dunkin Donut franchise, purchased by Allied Lyons PLC of London.

Boston is the national headquarters for 3i Corp., "Investors in Industry Corporation," a subsidiary of the UK parent of the same name. 3i is the world's largest source of venture capital. Investments can be found in over 6,000 companies, including household names such as "Bed and Bath", and "Paperama". Minority ownership by 3i can also be found in Sports Medicine Systems Inc., a Brookline based chain providing athletes with healthcare, and Applied Biotechnology Inc., which is the nation's second largest operator of full-service, walk-in medical health care.

Canada

Canada's largest developer, Toronto based Olympia and York, built Exchange Place at 53 State Street, completed in 1984. Olympia and York's first Boston real estate venture was the renovation of One Liberty Square in 1982 and Mondev International Ltd of Montreal developed Lafayette Place. Canada's investments are not restricted to real estate but are diversified and include banking, manufacturing, freight transportation, sales, retailing, life insurance and seafood processing. Fishery Products International (FPI) of Canada, is a fish processing firm with a plant just off the Boston Fish Pier.

Japan

Japan is another important investor in Boston's economy. Currently there are 52 Japanese companies operating in the Boston area, including such varied business interests as sales, services exports, distribution and manufacturing. Japanese firms in the 1980s targeted Boston as one of the 4 major American cities, along with New York, Los Angeles, and Washington, DC in which to invest in real estate.

Germany

Germany has 32 firms in the Boston area including Nixdorf Computer Corporation. The Nixdorf's American operation is expanding so quickly that it currently employs 700 people in Waltham, Burlington, and North Reading and 500 more than in the rest of the U.S. In addition, Nixdorf is projected to have 5,000 employees in the Boston area in the 1990s.

Other Investors

France has 20 companies in the Boston area. The Meridien Hotel, the most widely known French investment in Boston, is a joint venture development including the Paris-based real estate firm of Air France. Italy's investment in Boston was represented by the Italian Immobiliare, which developed residential complexes in the Charlestown Navy Yard, which were sold to an American Developer, the Raymond Company. Sweden with 17, and Israel, with 6 companies, are some of the other major foreign investors in the Boston area.

1. **Massachusetts** International Trade Council, Inc. Massachusetts International: 1989 Annual Report, p. 2.
2. **Massachusetts** International Trade Council, Massachusetts International:1989 Annual Report, p.6.
3. **Massachusetts** International Trade Council, Massachusetts International: 1989 Annual Report, p.14.
4. **Alexander** Ganz and Francois Konga, "Boston in the World Economy," in Cities in a Global Society, edited by Richard V. Knight and Gary Gappert, *Urban Affairs Annual Review*, Volume 35, Sage Publications.
5. **Source:** British Consulate, Boston, October 1990.

